

Our date  
2017-04-18

Our reference  
AU-NES WIC-00006

Administrative officer  
Torkel Sjøner

Your date  
2017-03-01

Your reference

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Ofgem  
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## Consultation on Minded to decision and draft Impact Assessment of industry's proposals (CMP264 and CMP265) to change electricity transmission charging arrangements for Embedded Generators

Dear Andrew,

We welcome Ofgem's consultation on CMP264 and CMP265.

We agree with Ofgem's stated principle that the collection of the residual costs for operating the transmission and distribution networks needs to be done in a fair way and that users benefiting from the networks should contribute to the costs of running them. Therefore, we welcome Ofgem's wider consideration of these issues with the new Targeted Charging Review.

However, we do not believe that the process of determining the current proposals recommended by Ofgem under CMP264/265 is appropriate, given the scale of potential impact on industry.

As referenced throughout the impact Assessment consultation, the immediate priority for Ofgem is considering the Transmission Network Use of System (TNUoS) demand residual payments as it is considered by Ofgem to be distorting investment and dispatch decisions and the outcome of the Capacity Market. Although the issues within the current charging arrangements are clear, we consider that the minded to decision on CMP264/265 of simply targeting one element of the charging arrangements (demand locational TNUoS tariff) for one type of network user (embedded generation, below 100MW) is likely to result in further market distortion and discrimination between network users.

We urge Ofgem to employ its discretion and delay the implementation of CMP264/265 until after the conclusion of the Targeted Charging Review. Furthermore, there will in our view be a need for a more detailed analysis of the value brought to the transmission system (value of 'X') by embedded generation

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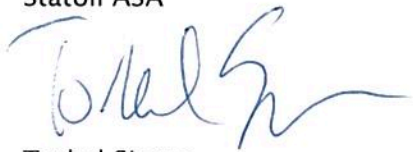
Your reference

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and a need to take into account the wider context of regulatory change that is currently ongoing, when assessing the impact of CMP264/265.

Kind regards

Statoil ASA



Torkel Sjoner

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